

**Functional Series 600 – Budget and Finance**  
**ADS 635 – Working Capital Fund**

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## ADS 635 - Working Capital Fund

### 635.1 OVERVIEW

Effective Date: 08/16/2002

The Agency's Working Capital Fund (WCF) was authorized by Section 635(m) of the Foreign Assistance Act of 1961, as amended. The WCF finances, on a reimbursable basis, the costs incurred by the USAID Missions in providing administrative support to other agencies under the International Cooperative Administrative Support Services (ICASS) program overseas. (See [ADS 520](#) for specific information on becoming an ICASS service provider (ISP).)

The Agency is also authorized to deposit the rebates it earns from the use of U.S. Government credit cards into the WCF, which can be used as capital for the fund or other use deemed appropriate by the Administrator.

The WCF is a no-year fund that permits unobligated monies to be carried over from one year to the next, an advantage providing fiscal flexibility and more of an opportunity to establish multi-year planning. It enables managers to make long-term decisions without the constraints of the annual fiscal year cycle.

### 635.2 PRIMARY RESPONSIBILITIES

Effective Date: 08/16/2002

a. The **Office of the Chief Financial Officer (CFO)** is responsible for developing and promulgating financial management policy guidance and oversight for the Agency's activities and operations, including the WCF.

b. The **Bureau for Policy and Program Coordination, Office of Resource Allocation, Support Budget Integration Division (PPC/RA/SBI)** reviews Missions' ISP budgets and invoices, and summarizes their Memorandum of Understanding (MOU) agreements by Mission, Bureau, and funding source. PPC/RA/SBI prepares the President's budget using WCF data submitted by Missions in their annual budget call.

PPC/RA/SBI coordinates with the various offices within the Bureau for Management, Office of Financial Management (M/FM) to apportion the Missions' unobligated funds, collect payments, post collections in Phoenix, and issue allowances via the Regional Bureaus. PPC/RA/SBI also prepares reimbursable agreements with the headquarters finance offices of the Missions' customer agencies.

c. The **Bureau for Management, Office of Financial Management, Cash Management and Payments Division (M/FM/CMP)** collects funds and certifies invoices for payment with Treasury.

d. The **Bureau of Management, Office of Financial Management, Accounting Division (M/FM/A)** transfers the reimbursable funds recorded in Phoenix from a suspense account into the Missions' specific WCF and OE accounts.

e. The **Bureau for Management, Office of Financial Management, Central Accounts and Reporting Division (M/FM/CAR)** makes the request for the Office of Management and Budget (OMB) to apportion/reapportion WCF funds, which it then records in Phoenix for distribution to the Missions.

f. **Bureau Controllers** issue WCF allowances to the Missions for ISPs' WCF expenses.

g. **Mission Controllers** ensure sufficient funds are available to pay ISP WCF expenses, record WCF obligations and disbursements in the accounting system, and maintain the official files and related documentation of their Mission's obligations and expenditures. They also submit the Mission's ISP budget, and OE budget for the Mission's projected OE ICASS payment for services it has received from all ISPs, through the annual Mission budget calls.

h. **Mission Executive Officers (EXOs)** develop the Mission's ISP budget, performance standards, and MOU agreements with customer agencies. They also provide day-to-day management of the ISP WCF operations, which includes maintaining customer interface for all ICASS services.

### **635.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES**

Effective Date: 08/16/2002

ICASS Service Providers (ISPs) administering working capital funds are required to follow the applicable budget and finance, and financial management policies and procedures prescribed in ADS 600 Series chapters. In addition, ISP management must establish adequate and reasonable management controls in accordance with [ADS 596, Management Accountability and Control](#).

#### **635.3.1 Financial Documentation Responsibilities**

Effective Date: 08/16/2002

Financial documentation is any documentation that impacts on or results in financial activity. It is not limited to documentation within the Controllers' or FM operations, but includes any source material causing or resulting in a financial transaction. Cognizant Technical Officers (CTOs), Loans/Grants Officers, Strategic Objective (SO) teams, etc., are responsible for retaining financial documentation and ensuring its availability for audit by either the Office of Inspector General or another responsible audit organization.

Basic financial documentation retention rules follow:

- If an action will result in a financial transaction, it must be documented;
- Source documentation must be readily available for audit (by either the Office of Inspector General or a responsible audit entity);

- The general rule of thumb for retention of financial documents is seven years; however, retention times may vary, so please refer to retention by document type in [ADS 502](#), The USAID Records Management Program. The specific financial Records Disposition Schedules are located in the Mandatory Reference Section of ADS 502, under Records Disposition Schedule, USAID/W, Chapter 15, Fiscal Management Records; and Records Disposition Schedule, USAID, Chapter 35, Financial Management Records. See also the National Archives and Records Administration (NARA) General Records Schedules, GRS 6, Accountable Officers' Account Records; and GRS 7, Expenditure Accounting Records.

### **635.3.2 Cost Accounting**

Effective Date: 08/16/2002

Missions must ensure that all WCF costs are accounted for in a manner that complies with the [Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Standards for the Federal Government](#).

Missions are allowed to charge their customers for the total cost of doing business to fully recover the funds they spend providing ICASS services. This means that WCF costs must be managed on a full-cost basis to recover all direct and indirect costs.

### **635.3.3 Rebates**

Effective Date: 08/16/2002

USAID accounting stations must deposit all rebates collected from the use of U.S. Government credit cards into WCF account 72X4513. By September 30<sup>th</sup> of each year, Missions must forward all rebate amounts they have collected to USAID/W via the [Intra-Governmental Payment and Collection System \(IPAC\)](#). M/FM/A records these collections in the Agency's WCF account.

### **635.3.4 WCF Fund Account Symbol**

Effective Date: 08/16/2002

M/FM/CAR has established a separate WCF account in Phoenix for the Missions operating as ISPs. As additional ISPs are approved for the WCF, an account will be created for them also. These accounts will be identified as follows:

#### **FY-WCF-X-Country Code**

For example, for USAID Honduras, the account for FY 2002 would be **02-WCF-X-522**.

### **635.3.5 ICASS WCF Procedures for USAID as a Service Provider**

Effective Date: 08/16/2002

Whenever practicable, Missions must conform to the procedures that are applicable to Department of State (DOS) service providers (see [6 FAH-5, ICASS Handbook](#)). Once

USAID has been approved to become an ISP, either as an alternate or as a dual service provider, a Memorandum of Understanding (MOU) must be established with each customer agency requesting services from USAID.

### **635.3.6 Workload Counts for Cost Allocation**

Effective Date: 08/16/2002

Missions must compile workload counts, based on DOS service provider standards, for each customer subscribing to their services. Workload counts (e.g., number of personnel served, space occupied, procurements processed) are used to distribute costs to customers. These workload statistics must be approved by the local ICASS Council by July 1 and used as the basis for the next fiscal year's budget allocation by agency.

### **635.3.7 Preparation of a Mission's ISP Budget**

Effective Date: 08/16/2002

This section provides the guidance for Missions participating as ISPs to prepare an annual budget for approval by their local ICASS Council.

- a. By October 1, Mission EXOs must prepare and submit their proposed ISP budget to their local ICASS Council indicating projected costs for the fiscal year. It is important to capture and include in the ISP budget and invoices all labor costs related to provision of ISP services. This includes both Foreign Service National officer and U.S. Direct-Hire (USDH) costs, such as the EXO or Controller's salary. Residential lease costs must also be captured.
- b. EXOs are encouraged to use the post's ICASS software to prepare their ISP budgets. Missions that use ICASS software to prepare invoices must allocate time spent on non-ICASS functions to the non-ICASS dual position cost center. This software can produce standard reports showing the ISP budget by object class code, the total cost of each service, the distribution of costs to all customers, and the unit cost for each service. These reports must be provided to the ICASS Council to assist in the review of the ISP budget.
- c. Upon receipt of proposed budgets from ISPs, including USAID, the ICASS Council evaluates cost and staffing alternatives and approves the ISP budget for the Mission based on customer priorities and funds available. (NOTE: The ICASS Council approves any changes to initial budgets by the middle of February, due to inflationary impact, exchange rate fluctuations, and differences between budgeted and actual cost. If changes are approved, then the Missions must request their Council to submit revised invoices to all customers at post and send signed invoices to PPC/RA/SBI by May 1.)
- d. By December 1, the Mission EXO must submit copies of all customer agencies' signed invoices to the ICASS coordinator in PPC/RA/SBI. EXOs must generate a report of their ICASS costs distributed by customers, including USAID OE and program staff, based on their proposed ISP budget, and send it to the ICASS coordinator in

PPC/RA/SBI by the end of the first work week in October. The report must also provide an obligation number, project number, and Agency Location Code (ALC).

### **635.3.8 USAID/W Processing of ISP's Approved Budget and Invoice**

Effective Date: 08/16/2002

This section provides the guidance for USAID/W to process the approved ISP budget and invoices submitted from each participating Mission, so that funds can be collected from their customer agencies and reimbursed back to the Mission.

- a. In October, after each EXO forwards their ISP approved budget to PPC/RA/SBI, PPC/RA/SBI prepares a request for M/FM/CMP to collect funds received from the ISPs' customer agencies via IPAC. The amount to be collected is equal to 100 percent of the Mission's initial cost estimate of its OE and Program invoices. This amount is intended to provide initial capital into the WCF to sustain Missions' operations until other customer agencies' invoices can be collected. **(NOTE: The ISP Mission Controller must coordinate with the Regional Bureau Controller to secure funds to cover this cost.)**
- b. In December, after each EXO forwards their ISPs' signed invoices to PPC/RA/SBI, PPC/RA/SBI prepares reimbursable agreements for the amounts agreed to at post by the ISP customer agencies' representatives. PPC/RA/SBI submits these agreements to the agencies' headquarters finance offices, requesting signature for payment, including the ALC, obligation number, and other billing information, and requesting the agreement to be returned to PPC/RA/SBI.
- c. PPC/RA/SBI coordinates with M/FM/CMP and M/FM/A to collect funds from the ISPs' customer agencies via IPAC based on 80 percent of the initial ICASS invoices. PPC/RA/SBI also submits revised reimbursable agreements to the ISPs' customer agencies once it receives the revisions from the Missions. By June 1, M/FM/CMP bills the ISPs' customer agencies for the remaining 20 percent (including any changes) upon request by PPC/RA/SBI. PPC/RA/SBI coordinates additional collections from the Missions due to revised budgets if necessary.
- d. PPC/RA/SBI coordinates with M/FM/A to ensure that funds collected are credited either to a Mission's WCF account or to the central OE reimbursable account. With the exception of U.S. Direct-Hire (USDH) salaries, funds collected from all customer agencies, including USAID, are recorded into the Mission's specific WCF account. The amounts collected for USDH salaries that are not obligated by the Mission must be credited into the central OE reimbursable account. M/FM/CAR apportions the remaining funds in Phoenix to the Mission's specific WCF account. PPC/RA/SBI must allocate the funds and issue allowances to the Missions through their Regional Bureau.
- e. Once the Mission Controllers have recorded the allowance in their WCF account in the Missions Accounting System (MACS), they must also post all remaining commitments and obligations against these funds in MACS. For ISPs approved to be WCF Missions during the course of the fiscal year, PPC/RA/SBI advances OE funds to

the Mission through its Regional Bureau to cover expenses that may be incurred prior to the establishment and capitalization of the Mission specific WCF account. The Mission Controller must advise PPC/RA/SBI of the cumulative obligations or ISP costs the Mission has incurred as of the date of receipt of the WCF allowance.

f. Upon M/FM/CMP notification to PPC/RA/SBI of the receipt of funds from the customer agencies' headquarters finance office, PPC/RA/SBI then coordinates with M/FM/A to credit the OE reimbursable account for any amounts it may have previously advanced to the Missions. PPC/RA/SBI also provides a copy of the MOU and reimbursement agreement to M/FM/A, which must enter the related collections into Phoenix for the WCF.

g. PPC/RA/SBI must request M/FM/CAR to prepare an [apportionment](#) schedule to be submitted to OMB no later than August 21 so that allowances may be issued to Missions at the beginning of the next fiscal year. Missions may use working capital funds to forward fund certain expenses, based on the policies prescribed in [ADS 603, Forward Funding, Non-Program Funds](#), to allow for any lag time that may occur in the apportionment process.

### **635.3.9 Unobligated WCF Balance**

Effective Date: 08/16/2002

Unobligated ICASS WCF funds remaining in a Mission ISP's operating allowance at year-end must be reapportioned and reallocated to the Mission for commitment and obligation the next year. The unobligated amount brought forward is added to the amount of the Mission's ISP budget approved for the next fiscal year, to arrive at the total operating allowance available for obligation in the next (current) fiscal year.

Unobligated WCF balances brought forward are not immediately available to the Missions, but these amounts must be reapportioned for the next fiscal year along with the approved budgeted amount. For this reason, Missions are directed to provide PPC/RA/SBI with their best estimate of the [unobligated balance](#) remaining in their WCF account each year by August 1. This timeframe allows M/FM/CAR to submit an estimated carryover apportionment schedule to OMB of both the approved ICASS budget and the remaining unobligated amounts by August 21.

### **635.3.10 Deobligated WCF Amounts**

Effective Date: 08/16/2002

Because each Mission designated as an ISP has a separate WCF fund account in PPC/RA/SBI, all [deobligations](#) automatically roll back into the Mission specific WCF account for future costs. The deobligations against the current year obligations flow back to the current year allowance. However, deobligations of prior year obligations must be apportioned and made available to Missions in the following year. In the event of emergency funding, it is possible to access prior year deobligations, but this would be on a case-by-case basis and would have to be coordinated with PPC/RA/SBI and

M/FM. Missions can increase their costs of providing ICASS service as long as the serviced customers agree with the increases.

### **635.3.11 Split-Funding ICASS Costs Between OE and Program Funds**

Effective Date: 08/16/2002

The congressional language written for the WCF authorizes the Administrator to reimburse the fund from all current Agency appropriations. Accordingly, Missions may charge their program accounts for costs that ordinarily would be paid by OE, if OE-funded personnel provided the support. Because of this exception, the funding source rules under [ADS 601, Funding Source Policy](#), would not apply to the WCF.

However, USDH personnel, their office space, warehouse space, etc., must be charged to OE in the workload count allocation in the same manner they are distinguished in ICASS invoices prepared by DOS service providers. Since the central OE budget pays for all USDH salaries and benefits, the total amount identified as American salaries on the combined agency invoices will be credited to the OE account upon collection of funds from all customers, including collections from the Mission.

### **635.3.12 Disposal of WCF Assets**

Effective Date: 08/16/2002

Each year USAID sells personal property abroad because it is at the end of its useful life, damaged beyond economical repair, or no longer needed. Therefore, all WCF personal property, including furniture, equipment, supplies, appliances, machinery, and vehicles, may be disposed of at the Mission. The proceeds from the sale must be deposited into the Mission's WCF account. Guidance dealing with the proceeds of sale for non-WCF personal property is covered in [ADS 629, Accounting for USAID-Owned Property](#).

## **635.4 MANDATORY REFERENCES**

### **635.4.1 External Mandatory References**

- a. [ADS 629, Accounting for USAID-Owned Property](#)
- b. [Section 635\(m\) of the Foreign Assistance Act of 1961 \(22 U.S.C. 2395\)](#), as amended
- \*c. [OMB Circular A-11, Part 4, Instructions on Budget Execution](#)
- d. [Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government](#)

### **635.4.2 Internal Mandatory References**

- a. [ADS 502, The USAID Records Management Program](#)



- b. [ADS 520, International Cooperative Administrative Support Services \(ICASS\)](#)
- c. [ADS 596, Management Accountability and Control](#)
- d. [ADS 601, Funding Source Policy](#)
- e. [ADS 603, Forward Funding, Non-Program Funds](#)
- f. [ADS 621, Obligations](#)
- g. [ADS 629, Accounting for USAID-Owned Property](#)
- h. [ADS 630, Payables Management](#)
- i. [ADS 631, Accrued Expenditures](#)
- j. [ADS 634, Administrative Control of Funds](#)

#### **635.5            ADDITIONAL HELP**

#### **635.6            DEFINITIONS**

Effective Date: 08/16/2002

The definitions listed below have been included into the ADS Glossary. See the [ADS Glossary](#) for all ADS terms and definitions.

#### **apportionment**

The distribution made by the Office of Management and Budget (OMB) to agencies of amounts of budgetary resources available for obligation in an appropriation or fund account into amounts available for specified time periods, activities, projects, objectives, or combinations thereof. The amounts so apportioned limit the obligations that may be incurred by the agencies. (Source: JFMIP, OMB A-11)

#### **Category A Apportionments**

Apportionments that are made on a quarterly basis.

#### **Category B Apportionments**

Apportionments made on a basis other than a quarterly basis. They are made by time periods other than quarterly (by activities, projects, or objects, or by a combination of activity and time period). (Chapters 634, 635)

#### **deobligations**

The process of removing unneeded funds from an obligating instrument. This step is typically done upon completion of activities when unliquidated obligations might have become excessive or might no longer be needed for the original purpose. Deobligations

are also referred to as the cancellation or downward adjustment of a previously recorded obligation. (Chapters 200-203, 621, 635)

**Intra-Governmental Payment and Collection System (IPAC)**

An Internet application that enables Federal agencies to transmit transactions in a real-time environment on a government-owned platform by the Federal Reserve Bank (FRB) of Richmond. (Chapter 635)

**reapportionment**

A revision by OMB of a previous apportionment of budgetary resources for an appropriation or fund account. A reapportionment would ordinarily cover the same period, project, or activity covered in the original apportionment. (Source: JFMIP, OMB A-11) (Chapter 635)

**unobligated balance**

The portion of obligational authority that has not yet been obligated. Unobligated balances whose period of availability has expired are not available for new obligation. (OMB A-11) (Chapters 621, 635)

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